

5 April 2016

# Markets Today



## Wait and see mode

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In what was a quiet night for markets the softness in oil prices spread into other commodities and it has weighted on the AUD and other commodity related currencies.

With China and Hong Kong closed yesterday, Asian equity markets struggled for direction and this theme was carried over into the overnight session. Last week's boost to equities from the Fed Yellen's message of lower rates for longer appears to be running out of steam with the market seemingly in a wait and see mode ahead of the earnings reporting season which begins later this week. On that score, market's woes in Q1 suggest that for many companies and banks in particular, the start of 2016 should be one to forget.

US equities have ended the day marginally lower (between -0.31% and -0.46%) while European stocks posted small gains with both the Eurostoxx and FTSE100 indices closing at 0.3%. For US stocks, the fall in oil and other commodity prices dragged energy and material shares lower overshadowing the gains in the healthcare sector.

Ahead of the 17 April oil producers meeting, scepticism is building that a meaningful deal will be reached. WTI Oil fell by 2.6% overnight and now is back below the \$36 mark for the first time since 3 March. The fall in commodity prices has been broad based, with copper down 1.6%, gold -0.5% and the CRB index -1.3%.

Given this backdrop, commodity related currencies were the G10 underperformers overnight. The NZD is down 1.01% against the USD followed closely by the AUD at -0.94%. The JPY sits at the top of the leader board, up 0.31% on the day and nearly 2% over the past 5 days. Doubts over the BoJ reflation strategy appears to be weighing on the Nikkei, pushing the Yen higher against the USD.

In what was a quiet night for bonds, 10y UK gilts were the most volatile, moving 1.9bps higher and ending the day at 1.49%. 10y Bunds closed the day -0.4bps lower at 0.129% and 10y UST treasury yields are at 1.768%, 1bps higher than yesterday Sydney's closing level.

Data release had little impact on markets direction overnight. The UK construction PMI printed in line with expectations (54.2), Europe's unemployment drifted a little bit lower to 10.3% in February from 10.4% in March and in the US, durable goods order were a touch worse than expected.

ECB's Praet was on the wires warning that the central bank can forcefully act if needed and Boston Fed president Rosengren said that market expectations for one rate increase each this year and next "could prove too pessimistic". Both comments had little lasting effect on markets.

## Coming Up

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We have a busy day of events domestically and in offshore markets. This morning in Australia we get the weekly consumer confidence reading and February's trade balance. Our economists expect a narrowing in the deficit to \$2.6bn, from \$2.9bn in January, largely driven by higher iron ore exports.

The RBA board also meets today and at 2.30pm the Governor's statement is release. The Bank is unanimously expected to leave the cash rate unchanged however given the sharp AUD/USD appreciation over the past month (+/- 5 cents) comments on the currency will be closely watched. Because some of the recent AUD appreciation can be explained through fundamental drivers (higher commodity prices, slower pace of Fed tightening), we don't expect the RBA will aim to jawbone the currency. Instead of explicitly stating that the currency is overvalued, we think we are more likely to get a comment along the lines of "a lower AUD would be helpful for the ongoing rebalancing of the economy".

Looking at offshore markets, this morning New Zealand releases its Quarterly Survey of Business Opinion (QSBO) and this afternoon we get ANZ commodity export price indices for March. Our BNZ colleagues note that the QSBO is likely to show a stronger print than the ANZ business survey, simply because the QSBO is less weighted to farmers. Staying with farmers, the dairy auction is also due tonight. BNZ remains cautious on international dairy prices and if the recent softness in commodity prices are any guide, is hard to foresee a solid auction tonight

Europe releases its final March readings for its services and composite PMIs and we also get February's German factory orders. The UK service sector PMI is also due out and given the service sector accounts for three quarters of British GDP, the numbers will be closely watched by the market as well as policy makers.

The US gets trade balance (Feb), JOLTS report (Feb) and the ISM non-manufacturing survey (Mar). The ISM non-manufacturing survey has been lagging the rate of growth

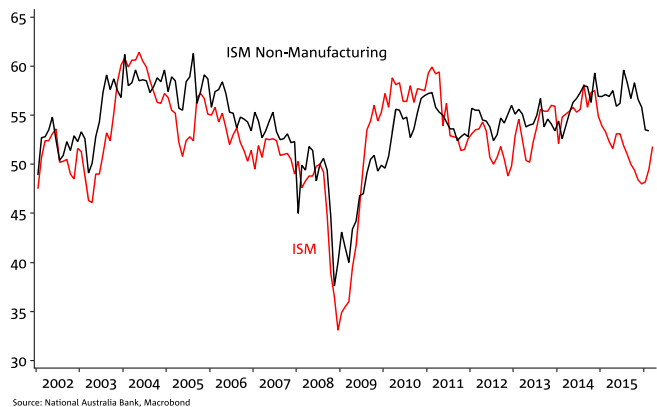
of core retail sales and for many analysts this is the reason for the expected uptick of 54.1 in March from 53.4 in the previous month. Other commentators have pointed to the correlation between the manufacturing and non-manufacturing ISMs and as such suggest that the risk is for a soft number which would help close the gap between the two series (see chart below).

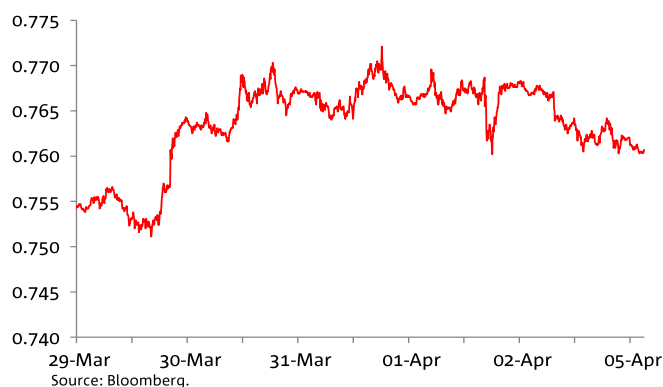
Today we also have a couple of Fed speakers. Minneapolis Fed President Kashkari holds a town hall on the topic of too-big-to-fail financial institutions (9.00am AEST) and Chicago Fed President Evans (non-voter) speaks on the economy and monetary policy in Hong Kong (15.00 AEST).

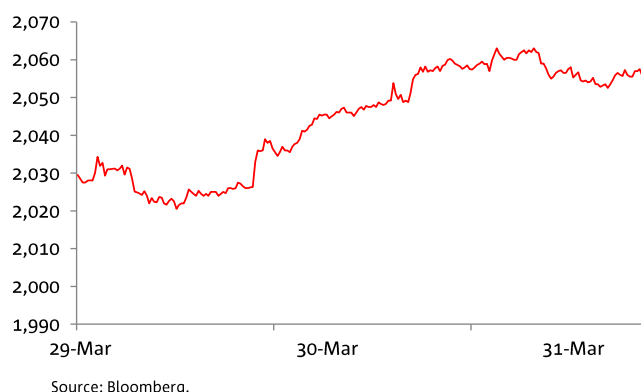
Overnight

On global stock markets, the S&P 500 was -0.30%. Bond markets saw US 10-years -0.87bp to 1.76%. On commodity markets, Brent crude oil -2.97% to \$37.52, gold-0.5% to \$1,216, iron ore clsd% to \$54.80. AUD is at 0.7606 and the range was 0.7604 to 0.7608.

Chart of the day: Mind the gap



**AUD/USD - past week**

**US 10 yr - past week**

**S&P Futures - past week**

**WTI - past week**

**Foreign Exchange**

Indicative 24hr ranges (**)					Other FX		
	Last	% chge	Low	High		Last	% chge
AUD	0.7606	0.0	0.7604	0.7608	HKD	7.7547	0.0
NZD	0.6837	0.0	0.6833	0.6836	CNY	6.4818	0.4
EUR	1.1393	0.0	1.1388	1.1393	SGD	1.3514	0.0
GBP	1.4267	0.0	1.4262	1.4270	IDR	13,190	0.2
JPY	111.29	0.0	111.2900	111.3400	THB	35.26	0.0
CAD	1.3083	0.0	1.3083	1.3088	KRW	1,146	-0.7
AUD/EUR	0.6675	0.0			TWD	32.31	0.2
AUD/JPY	84.66	0.0			PHP	46.19	0.4
AUD/GBP	0.5332	0.0			CHF	0.96	0.0
AUD/NZD	1.1126	0.0			SEK	8.13	0.0
AUD/CNY	4.9330	-0.6					

**Interest Rates**

Indicative Swap Rates					Benchmark 10 Year Bonds			
	Cash	3mth	2Yr	10Yr		Last	chge	Sprd
USD	0.50	0.63	0.86	1.63	USD 10	1.76	-0.01	
AUD	2.00	2.28	2.07	2.59	AUD 10	2.47	-0.06	0.70
NZD	2.25	2.35	2.18	2.95	NZD 10	2.86	-0.01	1.10
EUR	0.00	0.06	-0.14	0.52	CAD 10	1.22	-0.02	-0.54
GBP	0.50	0.59	0.80	1.42	EUR 10	0.13	0.00	-1.63
JPY	-0.01	0.00	-0.12	0.13	GBP 10	1.43	0.02	-0.33
CAD	0.50	1.17	0.88	1.48	JPY 10	-0.08	-0.02	-1.84

**Equities**
**Major Indices**

	Last	% day	% y/y
Dow	17,737	-0.3	-0.1
S&P 500	2,066	-0.3	0.0
Nasdaq	4,892	-0.5	0.1
VIX	14	+7.8	-3.7
FTSE	6,165	+0.3	-9.8
DAX	9,822	+0.3	-17.9
CAC 40	4,345	+0.3	-14.4
Nikkei	16,123	-0.3	-17.0
Shanghai	3,010	+0.2	-22.1
Hang Seng	20,499	-1.3	-18.9
ASX 200	4,995	-0.1	-15.3

**Commodities\***

	Last	% day
Oil (Brent)	37.52	-3.0
Oil (WTI)	35.48	-3.6
Oil (Tapis)	39.67	-2.6
Gold	1215.90	-0.5
CRB	165.79	-1.3
GS Metals	257.2	-0.9
Aluminium	1522	-0.2
Copper	4777	-1.6
Nickel	8331	0.5
Zinc	1848	-1.0
Ch. steel	2167	2.1
Iron ore	54.8	clsd
Coal	50.1	-0.9
Wheat Chic.	481.3	-0.4
Sugar	14.64	-3.6
Cotton	58.96	-0.4
Coffee	122.8	-3.5

\* clsd = market holiday

**CO<sub>2</sub> Emissions - Euros**

	Last	% day
Jun-2016	5.32	2.9
Dec-2016	5.33	2.9
Jun-2017	5.37	2.9

Please note the high/low FX rates are only an indication. Please refer to your National Dealer for confirmation.

\* All near futures contracts, except CRB. GS Metals is Goldman Sachs industrial metals index. Metals prices are CME. Emissions: ICE Dec contracts, Euros

\*\* These are indicative ranges over the past 24 hours; please confirm rates with your NAB dealer

Last is around 6:30am Sydney

Source: Bloomberg

## Calendar

Country	Economic Indicator	Period	Forecast	Consensus	Actual	Previous	GMT	AEST
Tuesday, 5 April 2016								
NZ	QSO	Q1					22.00	8.00
US	Fed's Kashkari Holds Town Hall on Too Big to Fail						23.00	9.00
AU	AiG Perf of Services Index	Mar				51.8	23.30	9.30
AU	ANZ Roy Morgan Weekly Consumer Confidence Index	Apr 3				114.5	23.30	9.30
JN	Labor Cash Earnings/Real earnings YoY	Feb		0.2		0.4/0.4	0.00	10.00
NZ	ANZ Commodity Price	Mar				0.4	1.00	11.00
AU	Trade Balance	Feb	-2600	-2500		-2937.0	1.30	11.30
JN	Nikkei Japan PMI Services/Composite	Mar				51.2/51.0	2.00	12.00
AU	RBA Cash Rate Target	Apr 5	2	2		2.0	4.30	14.30
US	Fed's Evans speaks on economy in New York						5.00	15.00
GE	Factory Orders MoM/YoY	Feb		0.3		-0.1/1.1	6.00	16.00
GE	Markit Services/Composite PMI	Mar F		55.5/54.1		55.5/54.1	7.55	17.55
EC	Markit Services/Composite PMI	Mar F		54/53.7		54.0	8.00	18.00
UK	Official Reserves Changes	Mar				1362.0	8.30	18.30
UK	Markit/CIPS Services/Composite PMI	Mar		53.5		52.7/52.8	8.30	18.30
EC	Retail Sales MoM	Feb		0		0.4/2.0	9.00	19.00
US	Trade Balance	Feb		-46.2		-45.7	12.30	22.30
CA	Int'l Merchandise Trade	Feb		-0.75		-0.7	12.30	22.30
US	Markit Services/Composite PMI	Mar F		51.2/		51.0/51.1	13.45	23.45
US	ISM Non-Manf. Composite	Mar		54.1			14.00	0.00
US	IBD/TIPP Economic Optimism	Apr		47.5		0.0	14.00	0.00
US	JOLTS Job Openings	Feb				5541.0	14.00	0.00
NZ	Dairy Auction, GDT price index (early AM, NZ time)					-2.9		
CA	BoC's Wilkins speaks in Vancouver						18.45	4.45
Wednesday, 6 April 2016								
UK	BRC Shop Price Index YoY	Mar				-2.0	23.10	9.10
NZ	QV House Prices YoY	Mar				11.6	0.00	10.00
CH	Caixin PMI Services/Composite	Mar				51.2/49.4	1.45	11.45
JN	Leading Index CI	Feb P		99.8		101.8	5.00	15.00
GE	Industrial Production SA MoM/YoY	Feb		-1.8/0.4		3.3/2.2	6.00	16.00
AU	RBA's Kent Speaks in Hobart: Economic Forecasting at the Reserve Bank of Australia						7.00	17.00
CA	Ivey Purchasing Managers Index SA	Mar		55		53.4	14.00	0.00
US	Fed's Mester speaks in Cleveland						16.00	2.00
US	Fed Releases Minutes from March 15-16 FOMC Meeting						18.00	4.00
Thursday, 7 April 2016								
NZ	ANZ Truckometer Heavy MoM	Mar				1.6	22.00	8.00
AU	AiG Perf of Construction Index	Mar				46.1	23.30	9.30
US	Fed's Kaplan speaks in Dallas						0.00	10.00
JN	BoJ's Kuroda speaks at BoJ's branch manager's meeting						0.30	10.30
AU	Foreign Reserves, \$Abn	Mar				61.2	6.30	16.30
EC	ECB and Its Watchers Conference						6.30	16.30
EC	ECB's Constancio speak at EU Parliament in Brussels						7.00	17.00
CH	Foreign Reserves	Mar		3192		3202.3	9.10	19.10
EC	ECB account of the monetary policy meeting						11.30	21.30
EC	ECB's Draghi attends meeting of Portuguese President's Council						14.00	
CA	Building Permits MoM	Feb		4		-9.8	12.30	22.30
US	Initial Jobless Claims	Apr 2		270		276.0	12.30	22.30
US	Bloomberg Consumer Comfort	Apr 3				42.8	13.45	23.45
US	Consumer Credit	Feb		14.9		10.5	19.00	5.00
Friday, 8 April 2016								
CH	Foreign Direct Investment YoY (for release 8-12 Apr)					1.8		
US	Fed's Yellen in New York, with Greenspan, Bernanke and Volcker						21.30	7.30
NZ	Crown accounts	Feb					22.00	8.00
US	Fed's George Speaks in York, Nebraska						0.15	10.15
UK	Industrial production MoM/YoY	Feb		0.1/0		0.3/0.2	8.30	18.30
UK	UK trade balance	Feb		-3400		-3459.0	8.30	18.30
CA	Employment/Unemployment rate	Mar		10/7.3		-2.3/7.3	12.30	22.30
US	Wholesale inventories/sales MoM	Feb		-0.2/0.2		0.3/-1.3	14.00	0.00
US	Fed's George Speaks in York, Nebraska						0.15	10.15
Monday, 11 April 2016								
JN	BoP Current Account/Trade Adjusted	Feb		1571.9		1492.4/-411.0	22.50	9.50
JN	Bankruptcies YoY	Mar				4.5	3.30	14.30
JN	Consumer Confidence Index	Mar		40.5		40.1	4.00	15.00
JN	Eco Watchers Survey Outlook	Mar		48.3		48.2	5.00	16.00
JN	Eco Watchers Survey Current	Mar		45.5		44.6	5.00	16.00
GE	Trade Balance	Feb		18		13.6	5.00	16.00
GE	Current Account Balance	Feb		16.5		13.2	5.00	16.00
UK	Industrial Production MoM	Feb		0.1		0.3	7.30	18.30
UK	Manufacturing Production MoM	Feb		-0.2		0.7	7.30	18.30
UK	Trade Balance	Feb		-3400		-3459.0	7.30	18.30
CA	Housing Starts	Mar		190		212.6	11.15	22.15
CA	Unemployment Rate	Mar		7.3		7.3	11.30	22.30
NZ	REINZ House Sales YoY	Mar				5.7		
CH	Foreign Direct Investment YoY CNY	Mar		2.4		1.8		
US	Wholesale Inventories MoM	Feb		-0.2		0.3	13.00	0.00
US	Wholesale Trade Sales MoM	Feb		0.2		-1.3	13.00	0.00
CH	New Yuan Loans CNY	Mar		1125		726.6		
CH	Aggregate Financing CNY	Mar		1500		780.2		
CH	Money Supply M2 YoY	Mar		13.5		13.3		
Upcoming Central Bank Interest Rate Announcements								
Australia, RBA		5-Apr	2.00%	2.00%		2.00%		
UK BOE		14-Apr				0.50%		
Canada, BoC		14-Apr				0.50%		
Europe ECB		21-Apr				0.00%		
New Zealand, RBNZ		28-Apr	2.25%	2.25%		2.25%		
Japan, BoJ		28-Apr				-0.1% to +0.1%		
US Federal Reserve		28-Apr				0.25-0.50%		

GMT: Greenwich Mean Time; AEST: Australian Eastern Standard Time

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